May 4, 2026

Weekly Investment Insights

MARKET SNAPSHOT

Oil prices surged above $126 per barrel on Thursday, reaching their highest level since the conflict in the Middle East began, as markets grew increasingly concerned that hostilities could be prolonged after President Trump told oil executives that the blockade of the Strait of Hormuz could last for months. Prices later reversed course, however, falling by more than $13 on the same day as traders reassessed demand fundamentals and the availability of physical barrels. This morning, Brent crude is trading around $109 per barrel.

On Tuesday, the United Arab Emirates announced its decision to exit OPEC, a move that represents a significant setback for the oil cartel and its de facto leader, Saudi Arabia. The departure will grant the Gulf state greater autonomy over its production strategy and export volumes. The UAE has indicated plans to gradually increase output; prior to the closure of the Strait of Hormuz, the country was already maxing out its OPEC quota of approximately 3.6 million barrels per day.

The abrupt exit is likely to weaken the cohesion of the organisation, which coordinates member countries' production levels to influence global oil prices. The UAE is OPEC's third largest producer, behind Saudi Arabia and Iraq, and its decision comes at a time when fracking is allowing the US to capture an increasing share of the global market.

While the closure of the Strait of Hormuz is currently eclipsing most factors driving the oil price, the UAE's exit from OPEC could make oil prices more volatile over the longer term.

The oil cartel met over the weekend and agreed to a further increase in production quotas of 188,000 barrels per day by easing some of its previous output cuts. However, the decision is widely viewed as symbolic, as several member countries currently lack the capacity to significantly raise production due to damage to production facilities or constraints on exporting additional supply through the Strait of Hormuz.

Trade tariffs also became a topic again after President Trump threatened a 25% levy on EU cars and trucks, claiming that the bloc is not fully complying with the terms laid out in a deal struck last July. In response, Eurogroup President Kyriakos Pierrakakis said that the bloc seeks dialogue, but that if there is a deviation from what was previously agreed, “all options are on the table and all choices will be on the table.” The latest move from the White House adds further doubt in a global economy already fraught with uncertainty stemming from the standoff in the Strait of Hormuz.

Turning to corporate earnings, US companies have reported their strongest results since the fourth quarter of 2021, led by robust growth in the technology sector. Strong earnings momentum helped push equity markets higher, largely offsetting negative sentiment stemming from the conflict in the Middle East and ongoing volatility in oil prices.

	Friday Close	5 Day Percentage Change	MTD Percentage Change	YTD Percentage Change
S&P 500	7230,12	0,91	0,29	5,62
Nasdaq Composite	25114,44	1,12	0,89	8,06
EuroStoxx 50	5881,51	-0,20	-0,56	0,99
CAC40	8114,84	-1,08	-0,55	-0,98
DAX	24292,38	0,81	0,14	-0,67
CSI 300	4807,307	0,44	0,00	3,83
US 10 Year Yield (%)	4,3698	1,61	-0,02	4,87
Germany 10 Year Yield (%)	3,037	0,73	0,59	7,01
Gold Spot ($/Oz)	4614,21	-2,24	-0,88	5,97

Source: Bloomberg, BIL as of May 4

MACRO SNAPSHOT

Fed holds rates steady amid raising energy prices

The Federal Reserve kept its benchmark federal funds rate unchanged at 3.5%–3.75% for a third consecutive meeting on Wednesday, though the decision revealed some internal divisions. Three FOMC members supported leaving rates unchanged but opposed language in the statement suggesting a potential bias toward lowering borrowing costs at upcoming meetings. In addition, one official voted to cut interest rates by 25 basis points. Together, the four dissenting votes marked the first time since 1992 that such a number of policymakers have broken with the consensus.

In explaining its decision, the Fed pointed to continued weakness in job growth and persistently elevated inflation, partly driven by sharp increases in global energy prices. The central bank highlighted heightened uncertainty, noting that “developments in the Middle East are contributing to a high level of uncertainty about the economic outlook.”

The central bank reiterated its commitment to a data-dependent approach, emphasizing that it will continue to assess incoming economic information, the evolving outlook, and the balance of risks when determining the future stance of monetary policy.

Wednesday’s meeting also marked the final one chaired by Jerome Powell. Kevin Warsh is set to assume the role of Fed chair in mid-May. Powell announced that he intends to remain on the Board of Governors “for a period of time” after stepping down as chair. This implies that Stephen Miran, who has dissented at every meeting since he joined the Fed board in September, will have to vacate his seat. Miran is currently on leave from his White House role advising Trump on the economy, and has advocated for steep rate cuts.

ECB holds rates at 2% as growth cools and inflation heats up

As expected, the European Central Bank kept its key interest rate unchanged at 2% at its April meeting, a level maintained since June 2025.

Policymakers indicated that they need more time to evaluate the economic impact of the ongoing conflict in the Middle East and thus provided no forward guidance. Rather, the ECB reiterated its data-dependent approach and its commitment to deciding policy on a meeting-by-meeting basis.

In its statement, the Governing Council acknowledged a more challenging outlook, warning that “upside risks to inflation and downside risks to growth have intensified,” while maintaining that it remains “well positioned to navigate the current uncertainty.” It also cautioned that a prolonged conflict and persistently elevated energy prices could have a broader impact on both inflation and economic activity.

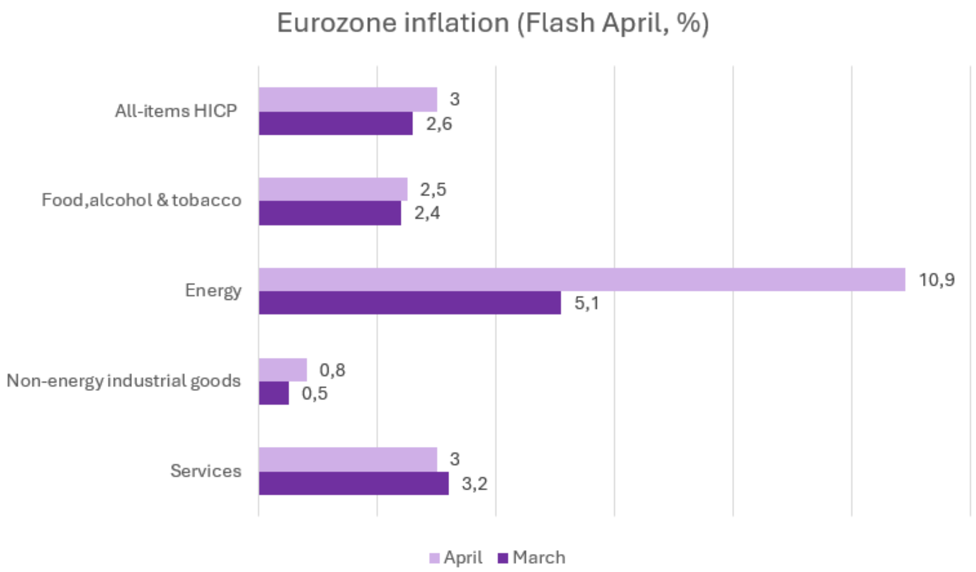
Recent data releases already point to a weakening economic environment.

Growth has slowed, with Eurozone GDP rising just 0.1% quarter-on-quarter in Q1 2026, down from 0.2% previously and below expectations. The slowdown was largely attributed to the war in the Middle East which has halted flows of oil, its byproducts, and liquified natural gas.

The inflationary pressure stemming from the conflict was also evident in the latest consumer price data; headline inflation increased to 3.0% YoY in April from 2.6% in March. Energy prices were the main driver, surging 10.9%, the fastest pace since February 2023. Inflation also accelerated in non-energy industrial goods and for food, alcohol and tobacco. By contrast, services inflation showed signs of easing.

Core inflation, which excludes volatile items such as food and energy, edged lower to 2.2% from 2.3% in the previous month.

The ECB's latest bank lending survey shows financial conditions in the Eurozone have tightened following the escalation in geopolitical tensions.



Source: Eurostat, BIL

The Bank of England leaves rates unchanged

The Bank of England (BoE) kept interest rates on hold last week at 3.75%, but signalled that further tightening may be necessary if the conflict in the Middle East persists and the global energy shock deepens. The decision was nearly unanimous, with all but one member of the Monetary Policy Committee voting to hold rates steady; one member dissented in favour of an immediate quarter-point increase. Nevertheless, the minutes of the meeting showed that the committee was heavily divided, with some members preferring to act early, while others wanted to wait for further evidence before changing policy.

Before the escalation of the conflict in the Middle East, markets had expected the BoE to reduce interest rates as inflationary pressures eased and economic growth remained weak. However, the outlook for monetary policy has shifted as higher energy prices have begun to feed into UK inflation.

Speaking at a press conference following the decision, BoE Governor Andrew Bailey said, “We’ll continue to monitor the situation and its impact on the UK economy very closely. Whatever happens, our job is to make sure that inflation gets back to the 2 % target after the initial impact of the war on energy prices has passed”, a comment that was interpreted as relatively dovish.

In response, market participants scaled back expectations of further tightening, with the probability of a quarter-point rate hike in June falling to around 50%, down from roughly 70% before the announcement.

CALENDAR FOR THE WEEK AHEAD

Monday – Switzerland Manufacturing PMI (April). Eurozone Manufacturing PMI (Final, April). US Factory Orders (March).

Tuesday – Switzerland Inflation (April). US Balance of Trade (March), Composite & Manufacturing PMI (Final, April), ISM Services PMI (April). JOLTs Job Openings (March).

Wednesday – Eurozone Composite & Services PMI (Final, April).

Thursday – Switzerland Unemployment Rate (April). Eurozone Retail Sales (March). US Challenger Job Cuts (April), Jobless Claims.

Friday – Germany Industrial Production (March). Switzerland Consumer Confidence (April). US Non Farm Payrolls (April), Unemployment Rate (April), Michigan Consumer Sentiment (Prel, May).

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